

July 11, 2000

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Marty Brown, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JULY 10, 2000 REVENUE COLLECTION REPORT

General Fund-State collections totaled \$1,030.1 million in the June 11 - July 10 collection period. Receipts were again higher than expected, exceeding the June estimate by \$24.9 million. Although there are signs that the economy is slowing in response to the monetary tightening of the Federal Reserve, this slowing has yet to show up in the revenue numbers. Revenue Act sources (sales, use, B&O, public utility and tobacco products) continue to account for most of the higher than expected tax payments, exceeding the estimate for the month by \$23.4 million. Real estate excise receipts were also significantly higher than expected this month while lottery General Fund transfers were again much less than expected.

Revenue act receipts in the June 11- July 10 collection period (primarily reflecting May 2000 business activity of monthly taxpayers) were very strong, up over 10 percent from the year-ago level. Growth had slowed from around 10 percent in January and February to 5.9 percent in March and April. The rebound in May was a little surprising given the signs of a slowing economy. Nationally, second quarter consumer spending and employment growth is much slower than in the first quarter. In addition, manufacturing output is stagnant and consumer confidence is weaker than earlier in the year. The U.S. index of leading indicators rose in March but fell in May, suggesting that while the current economic expansion is likely to continue, it has lost a lot of its momentum. At the state level job growth in April and May was moderate, a little above 2.0 percent, but enough to bring the statewide unemployment rate down to 4.7 percent from 4.8 percent a year ago. The strength of Revenue Act receipts this month may be the best evidence that the state's economy is still very strong and resilient despite the evidence of a slowing economy.

Preliminary data on taxes paid during the June 11- July 10 collection period indicate another strong month. Growth was strongest outside of the retailing sector. Construction, manufacturing, wholesaling and services all posted double-digit increases in tax payments this month. For the retail sector as a whole, the pace of activity was stronger than last month but was only about half that of January and February. Within retailing, furniture and household equipment retailers reported the strongest increase in tax payments (14.4 percent) while miscellaneous retailers and eating and drinking places reported increases of less than 3.0 percent.

Non-Revenue Act General Fund receipts collected by the Department of Revenue were \$7.8 million above the forecast in June. Real estate excise receipts were very strong this month. Collections were \$5.4 million higher than the June estimate. In addition, property tax collections were \$1.3 million higher than expected and estate tax payments were \$924,000 million above the estimate. The General Fund portion of cigarette tax receipts were a little higher than the June estimate while liquor tax payments were a little less than expected.

There was a significant reversal in the direction of real estate activity this month. After declining in five of the last seven months, real estate excise activity was up 11 percent in May (real estate closings in May reflecting real estate excise payments to the state in June). The number of transactions was up 2.2 percent while the value per transaction increased 8.6 percent. This was the first increase in the number of transactions in eight months. The strong real estate activity is particularly surprising given the recent increase in mortgage rates. The surge in May activity could reflect an acceleration of purchases in anticipation of even higher mortgage rates, however, it more likely reflects the underlying strength of the Washington economy.

Other agencies' collections were \$6.2 million below the forecast in June. Department of Licensing collections (primarily motor vehicle excise tax receipts) were \$474,000 above the estimate while the Lottery Commission's General Fund transfers were \$6.7 million lower than expected.

The attached Table 1 provides a comparison of collections with the June forecast for the June 11 - July 10, 2000 collection period. The variance for the month and the year-to-date are virtually identical in Table 1 because the June monthly estimates have been adjusted to reflect actual collections through June 10, 2000. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
June 11 - July 10, 2000 Collections Compared to the June 2000 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
June 11 - July 10, 2000				
Department of Revenue-Total	\$986,332	\$1,017,535	\$31,203	3.2%
Revenue Act** (1)	635,832	659,222	23,390	3.7%
Non-Revenue Act(2)	350,500	358,313	7,813	2.2%
Liquor Sales/Liter	7,377	6,979	(399)	-5.4%
Cigarette	5,774	6,146	371	6.4%
Property (State School Levy)	279,155	280,417	1,262	0.5%
Estate	5,928	6,852	924	15.6%
Real Estate Excise	31,421	36,804	5,383	17.1%
Timber (state share)	0	0	0	NA
Other	20,844	21,116	272	1.3%
Department of Licensing (2)	4,773	5,247	474	9.9%
Lottery (2)	14,086	7,353	(6,733)	-47.8%
Total General Fund-State***	\$1,005,191	\$1,030,135	\$24,944	2.5%
Cumulative Variance Since the June Forecast (June 11 - July 10, 2000)3				
Department of Revenue-Total	\$986,513	1,017,535	31,022	3.1%
Revenue Act** (3)	635,832	659,222	23,390	3.7%
Non-Revenue Act(4)	350,681	358,313	7,633	2.2%
Liquor Sales/Liter	7,377	6,979	(398)	-5.4%
Cigarette	5,774	6,146	371	6.4%
Property (State School Levy)	279,155	280,417	1,262	0.5%
Estate	5,928	6,852	924	15.6%
Real Estate Excise	31,421	36,804	5,383	17.1%
Timber (state share)	0	0	0	NA
Other	21,025	21,116	91	0.4%
Department of Licensing (4)	4,363	5,247	884	20.3%
Lottery (4)	14,086	7,353	(6,733)	-47.8%
Total General Fund-State***	\$1,004,961	\$1,030,135	\$25,174	2.5%

1 Collections June 11 - July 10, 2000. Collections primarily reflect May 2000 activity of monthly taxpayers.

2 June 1-30, 2000 collections.

3 Cumulative collections, estimates and variance since the June forecast; (June 11-July 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June 2000) and revisions to history.)

* Based on the June 2000 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
June 10, 2000 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
May 11 - June 10, 2000				
Department of Revenue-Total	\$999,903	\$998,934	(\$969)	-0.1%
Revenue Act (1)	581,819	581,819	0	0.0%
Non-Revenue Act(2)	418,083	417,115	(968)	-0.2%
Liquor Sales/Liter	6,287	6,287	0	0.0%
Cigarette	5,257	5,257	(0)	-0.0%
Property (State School Levy)	347,754	347,753	(1)	-0.0%
Estate	6,308	6,308	(0)	-0.0%
Real Estate Excise	33,177	33,183	6	0.0%
Timber (state share)	4,746	4,746	(0)	NA
Other	14,554	13,581	(973)	-6.7%
Department of Licensing (2)	3,775	3,365	(410)	-10.9%
Lottery (2)	10,854	10,854	(0)	-0.0%
Total General Fund-State***	\$1,014,531	\$1,013,152	(\$1,379)	-0.1%
Cumulative Variance: February 11 - June 10, 2000 & Revisions to History				
Department of Revenue-Total	3,085,694	\$3,084,725	(\$969)	-0.0%
Revenue Act (3)	2,437,384	2,437,384	(0)	-0.0%
Non-Revenue Act(4)	648,310	647,342	(968)	-0.1%
Liquor Sales/Liter	24,614	24,614	(0)	-0.0%
Cigarette	23,269	23,269	0	0.0%
Property (State School Levy)	411,316	411,314	(2)	-0.0%
Estate	26,802	25,649	(1,153)	-4.3%
Real Estate Excise	115,131	115,140	9	0.0%
Timber (state share)	9,200	9,200	(0)	NA
Other	37,978	38,156	178	0.5%
Department of Licensing (4)	7,750	7,340	(410)	-5.3%
Lottery (4)	38,834	38,834	(0)	-0.0%
Total General Fund-State***	3,132,278	\$3,130,899	(\$1,379)	-0.0%

P-Preliminary. Reported in the June 10, 2000 collection report.

R Revised data.

1 Collections May 11 - June 10, 2000. Collections primarily reflect April 2000 business activity of monthly taxpayers.

2 May 1-31, 2000 collections.

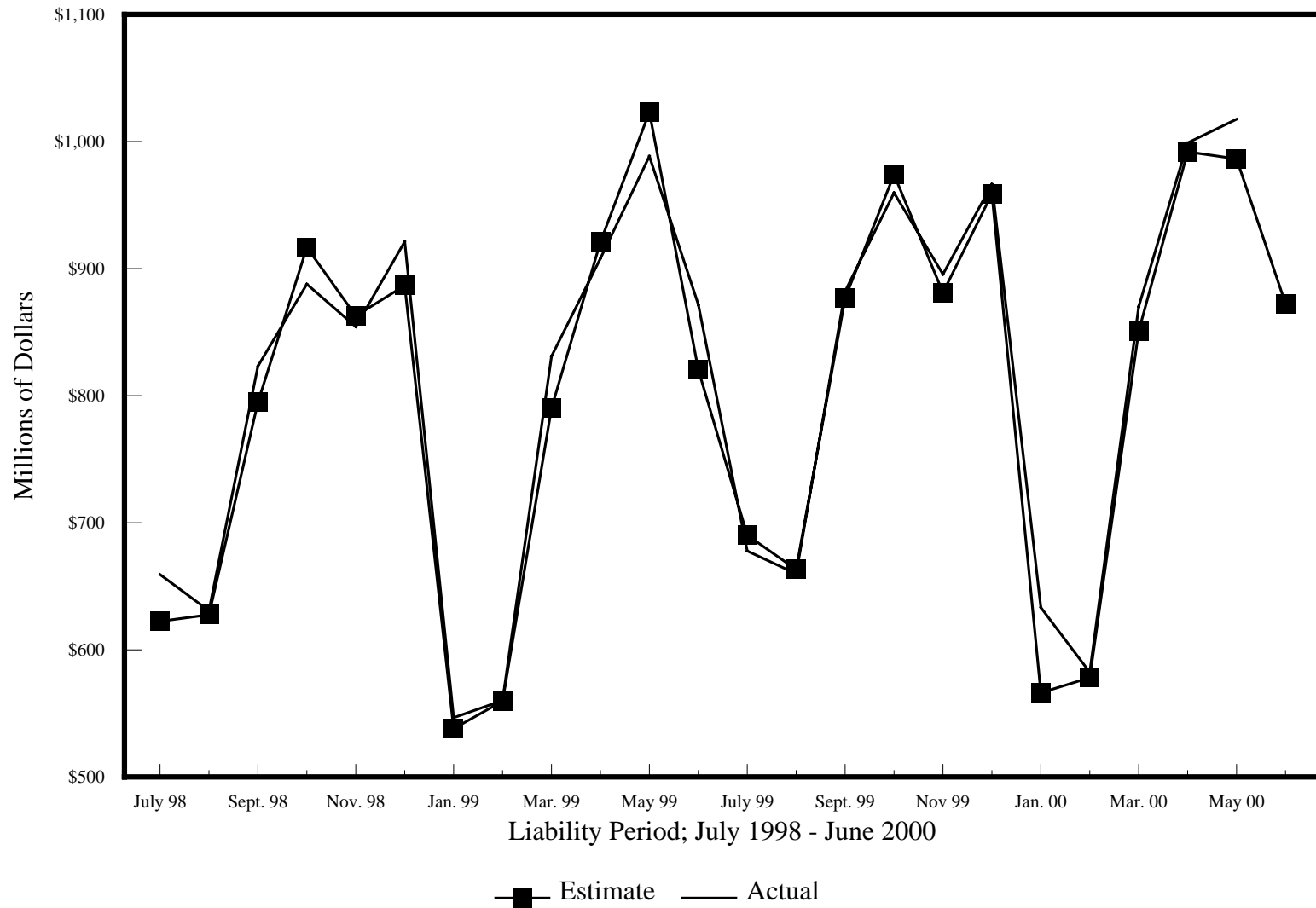
3 Cumulative variance for since the February forecast: February 11 - June 10,2000 & revisions to history.

4 Cumulative variance: since the February forecast (February - May 2000) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

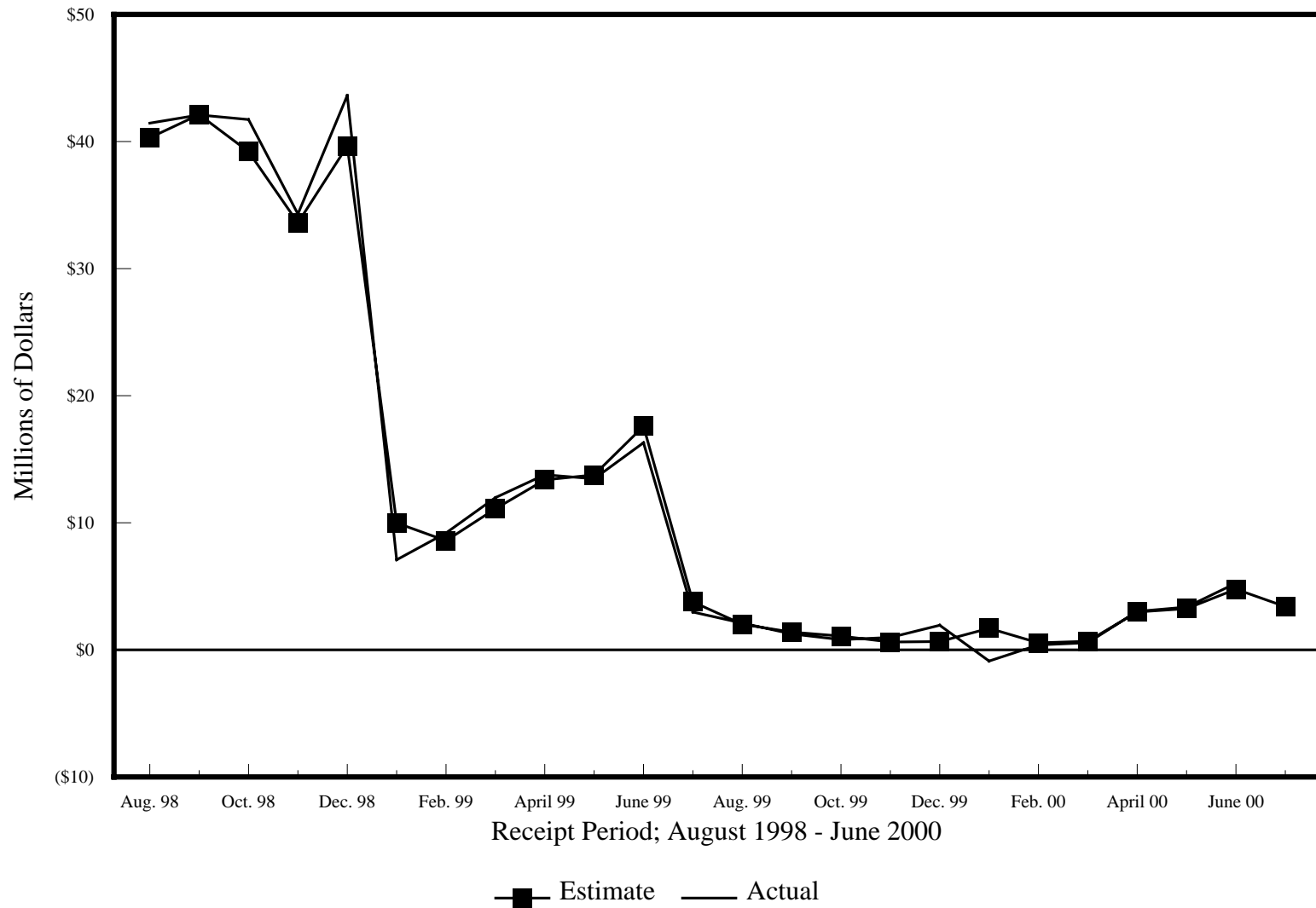
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



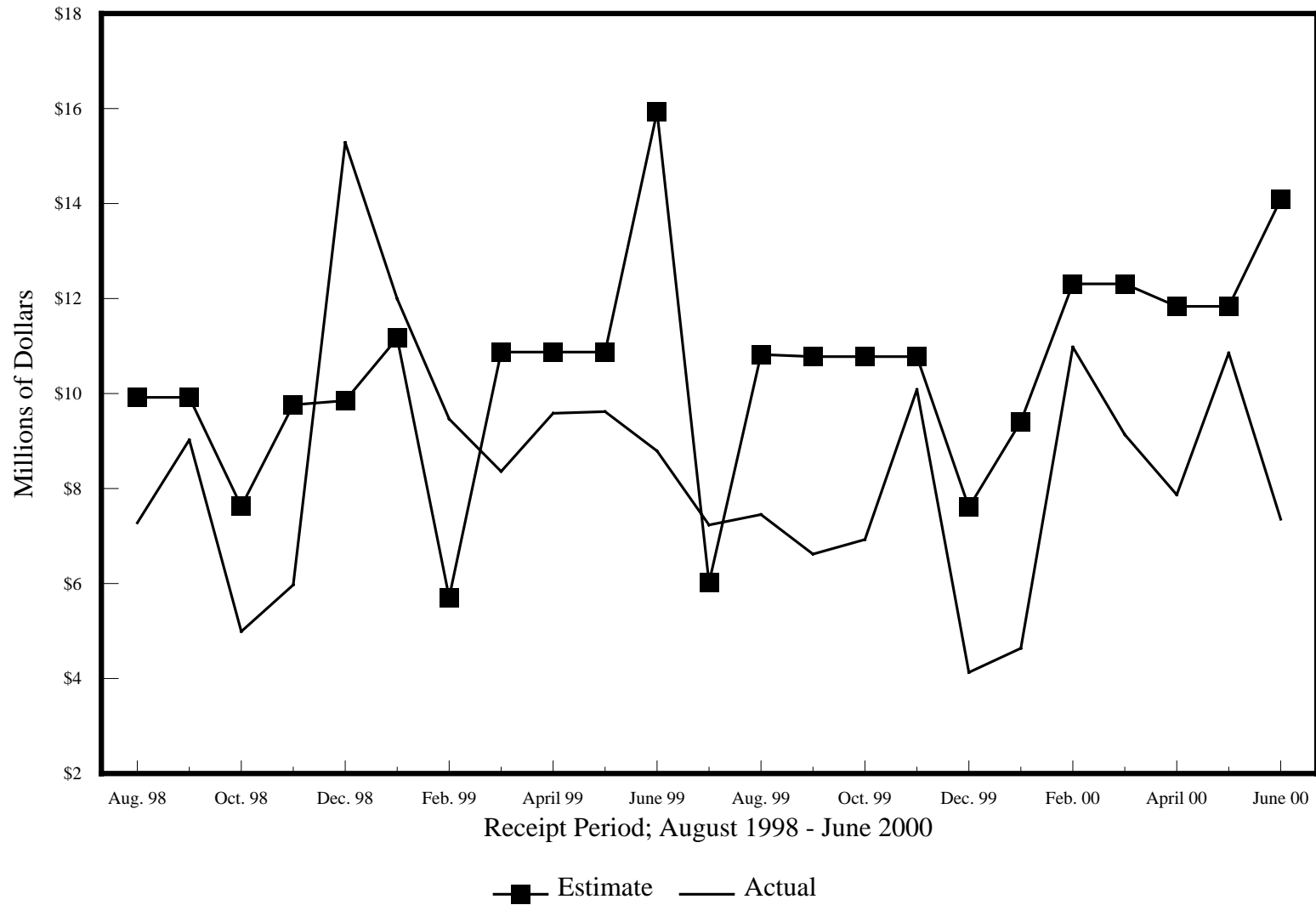
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to June 2000



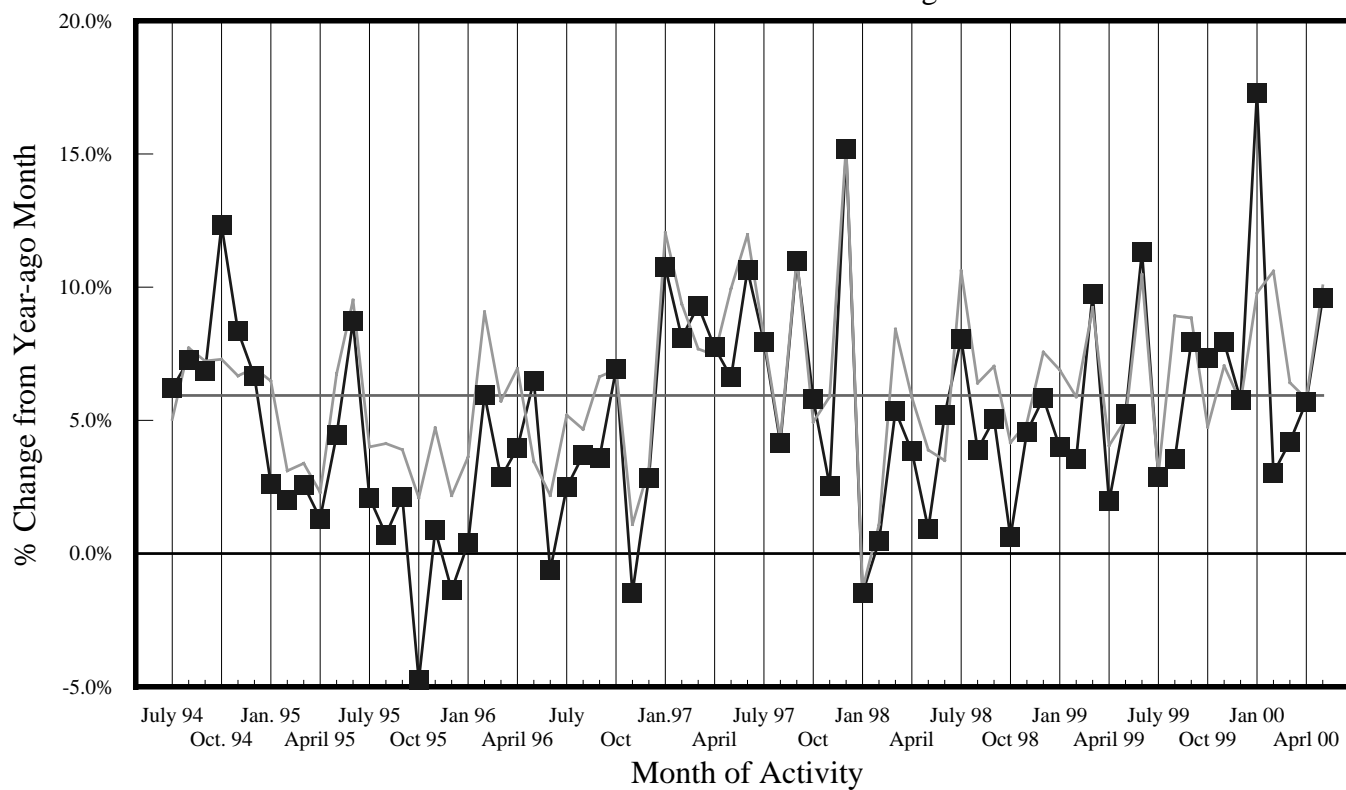
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to June 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ % CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation